

A stylized, colorful illustration of a house with a red roof, yellow walls, and a pink door. The house is set against a background of green hills and a yellow sky. The words 'HOT LY %' are written in large, grey, stylized letters across the roof, and the word 'SOLD' is written in large, grey, stylized letters to the right of the house.

# **Mortgage Fraud**

**Presented to the Palmetto Affordable Housing Forum**

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February 17, 2010

# Mortgage Fraud Definition

- A material misrepresentation, misstatement or omission that is relied upon in making a lending decision.
- Not a statutory definition -- It is not in our code nor is it in Federal Law.

# Motives for Mortgage Fraud

A stylized, colorful illustration of a house with a red roof, yellow walls, and a pink door. A large green tree is to the left of the house. A large, light gray 'SOLD' sign is positioned to the right of the house. The house has two windows with gray shutters. The foreground shows a yellow lawn with white wavy lines representing grass or a path. The background is a light blue sky with a faint, larger 'SOLD' sign.

- Mortgage Fraud for Profit
- Mortgage Fraud for Housing
- Mortgage Fraud by Criminals

# Who is involved?

- Potentially any settlement service provider.
  - Those convicted have included:
    - appraisers, real estate agents/brokers, mortgage brokers/lenders and their originators, bank officers/other employees, title insurance agents and attorneys
- Not an all inclusive list.

# Types of Mortgage Fraud Schemes

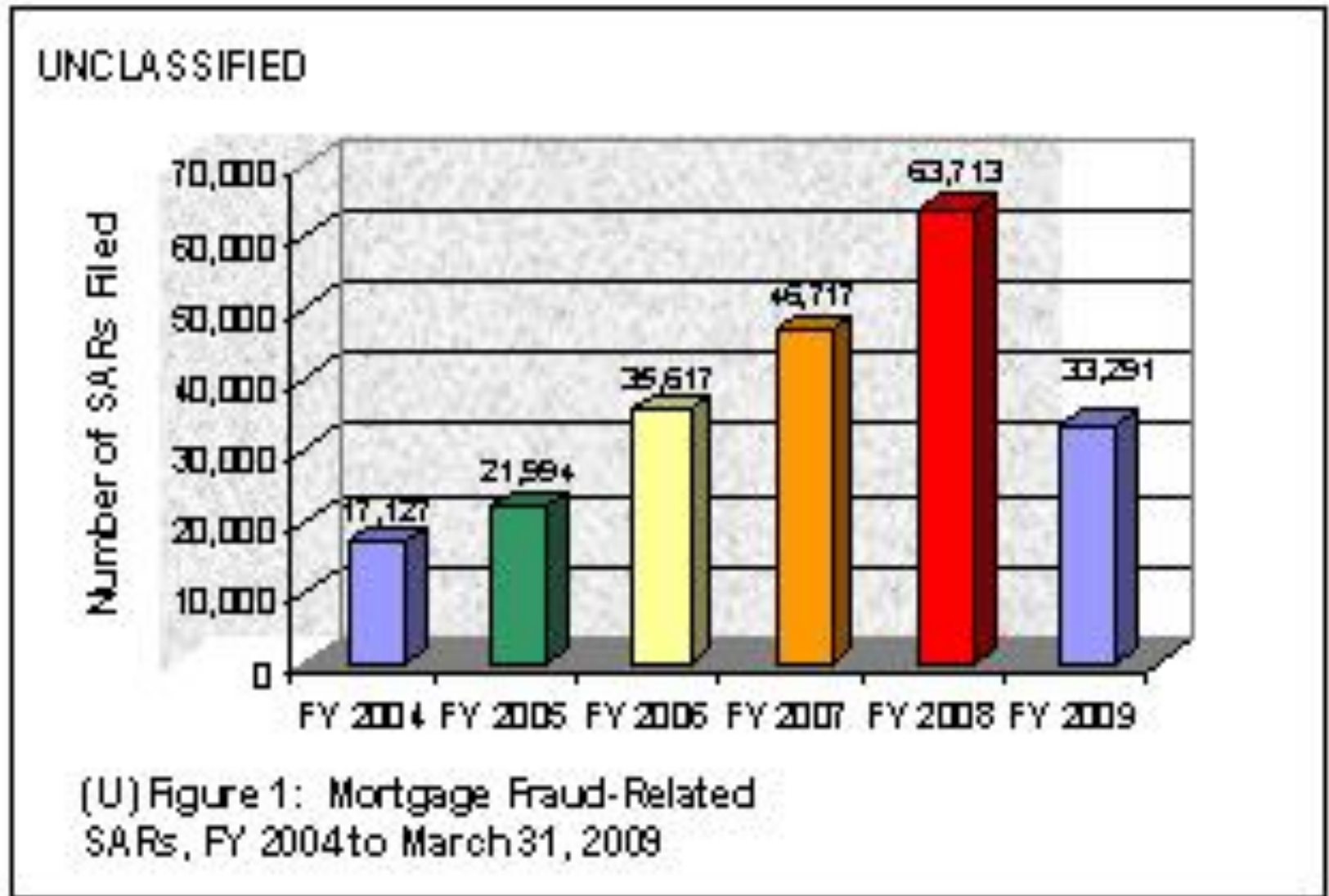


- Backward Applications
- Air Loans
- Silent Seconds
- Reverse Mortgage Scams
- Nominee Loans
- Property Flips
- Foreclosure Schemes
- Equity Skimming

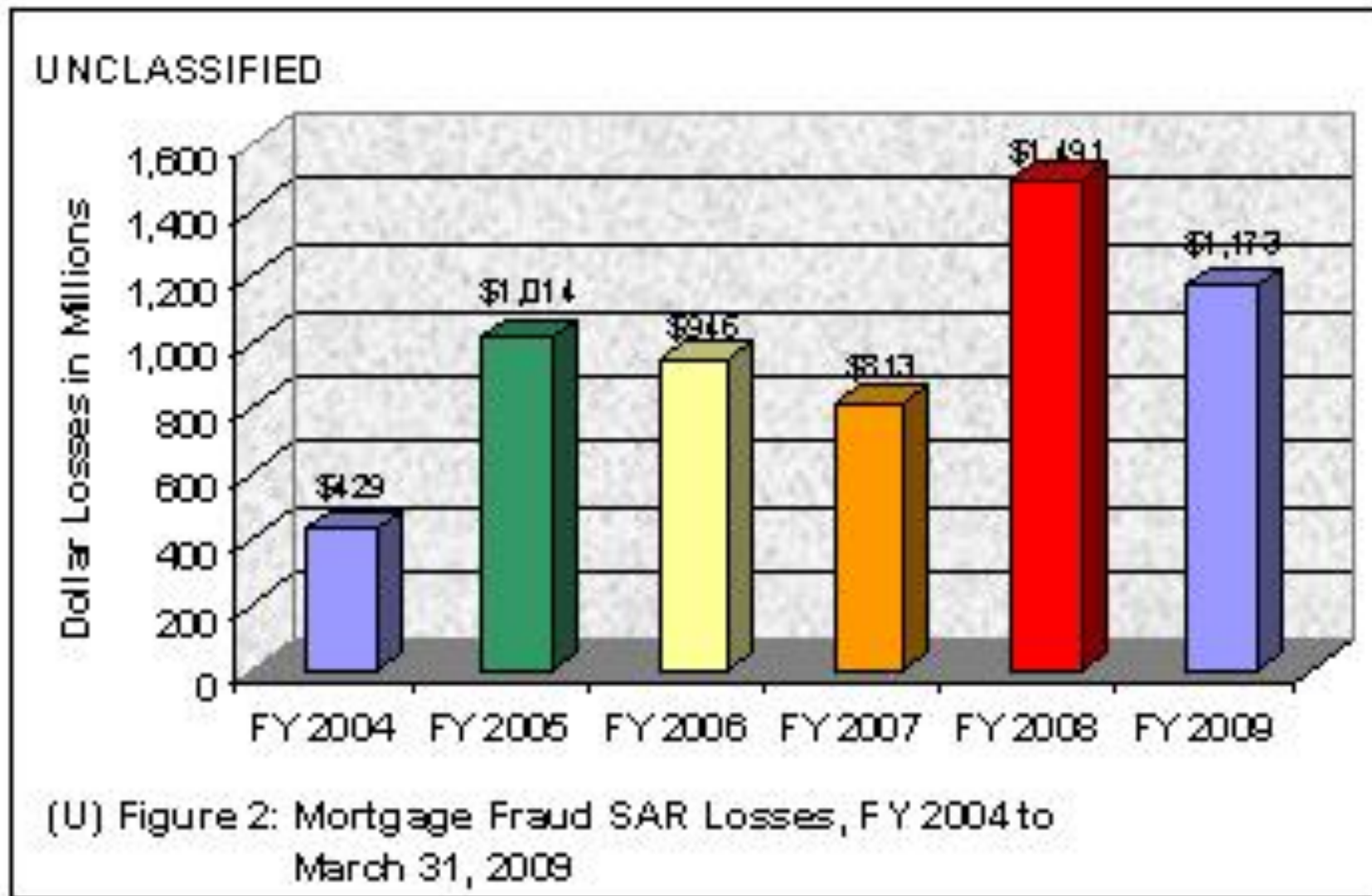
# How bad is it?

- The FBI reports that mortgage fraud is one of the fastest growing white collar crimes in the United States.
- The true extent is unknown.
- It is costing us billions annually.

# Mortgage Fraud Related Suspicious Activity Reports (SAR)

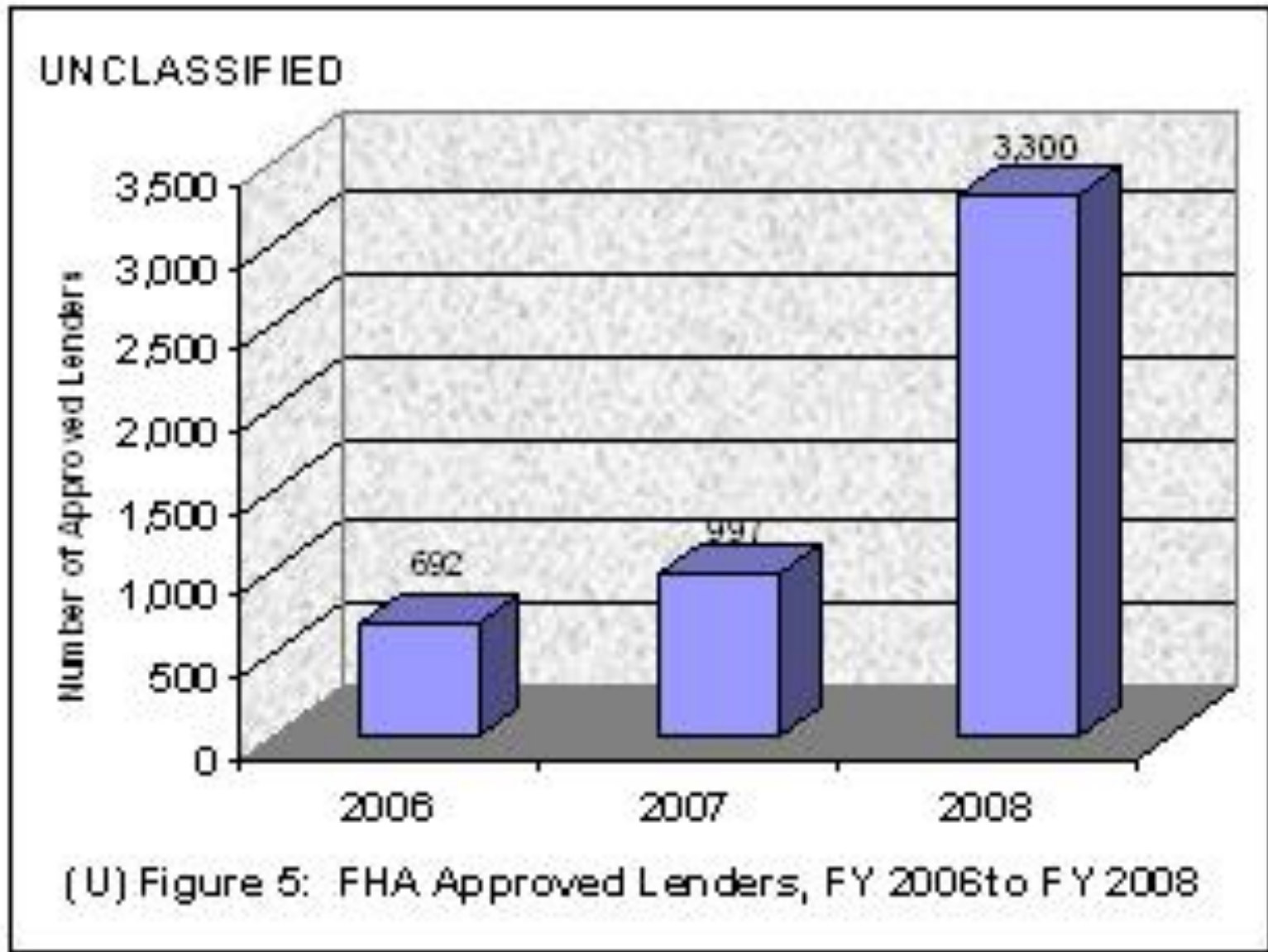


# Mortgage Fraud Suspicious Activity Report Losses





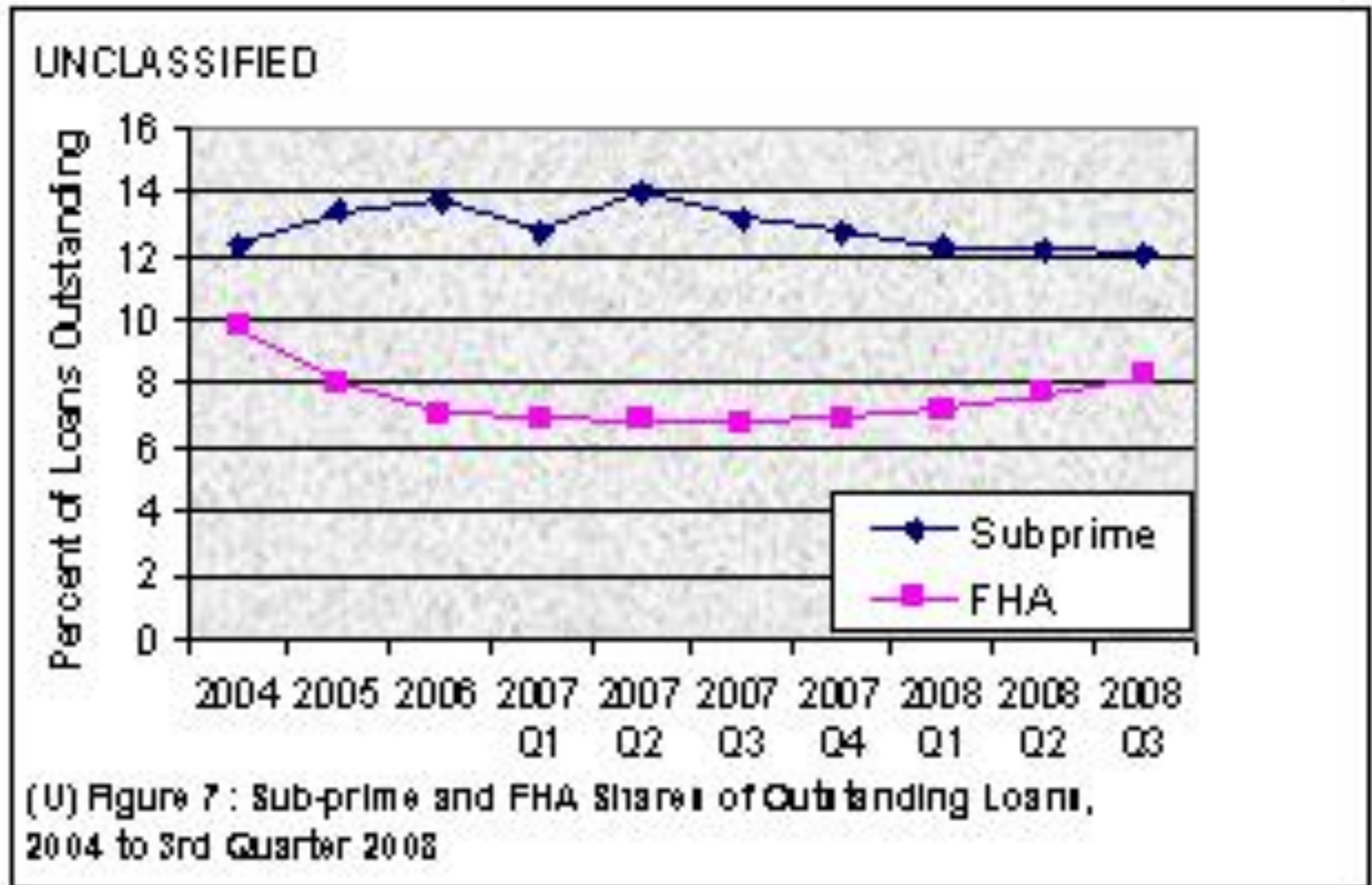
# FHA Approved Lenders



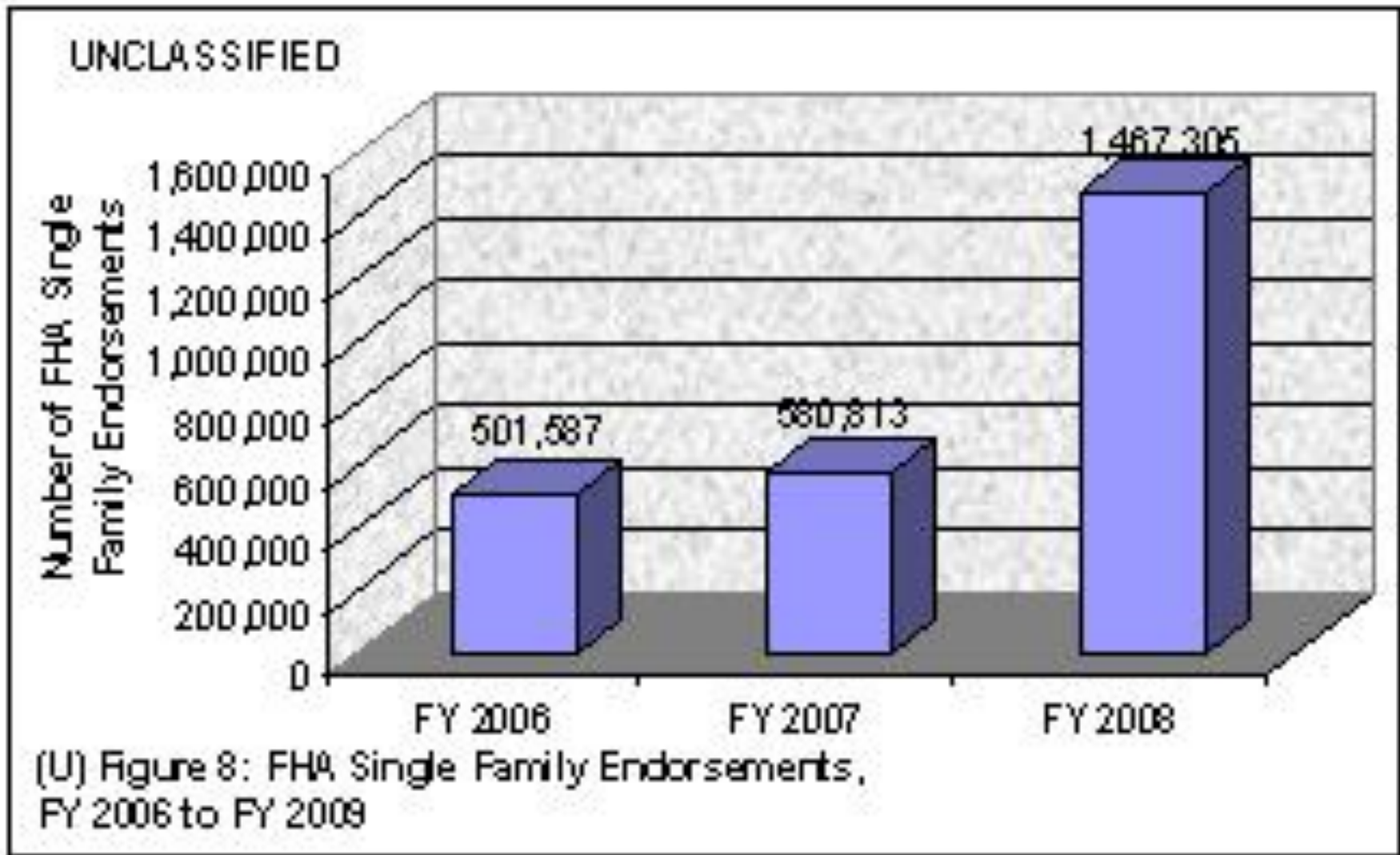
# Dollar Volume of Loan Originations



# Subprime and FHA Share of Loans Outstanding

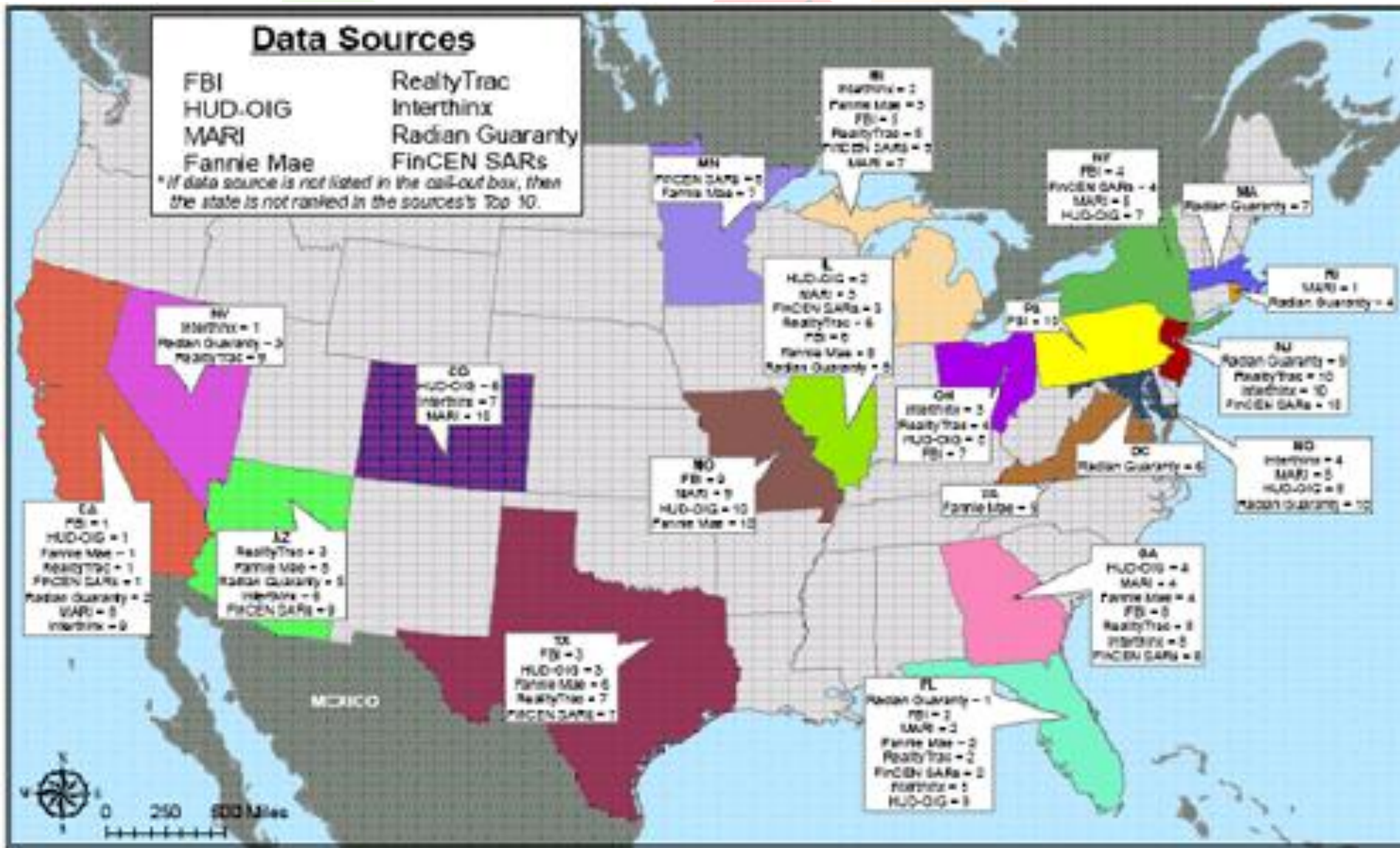


# FHA Single Family Endorsements

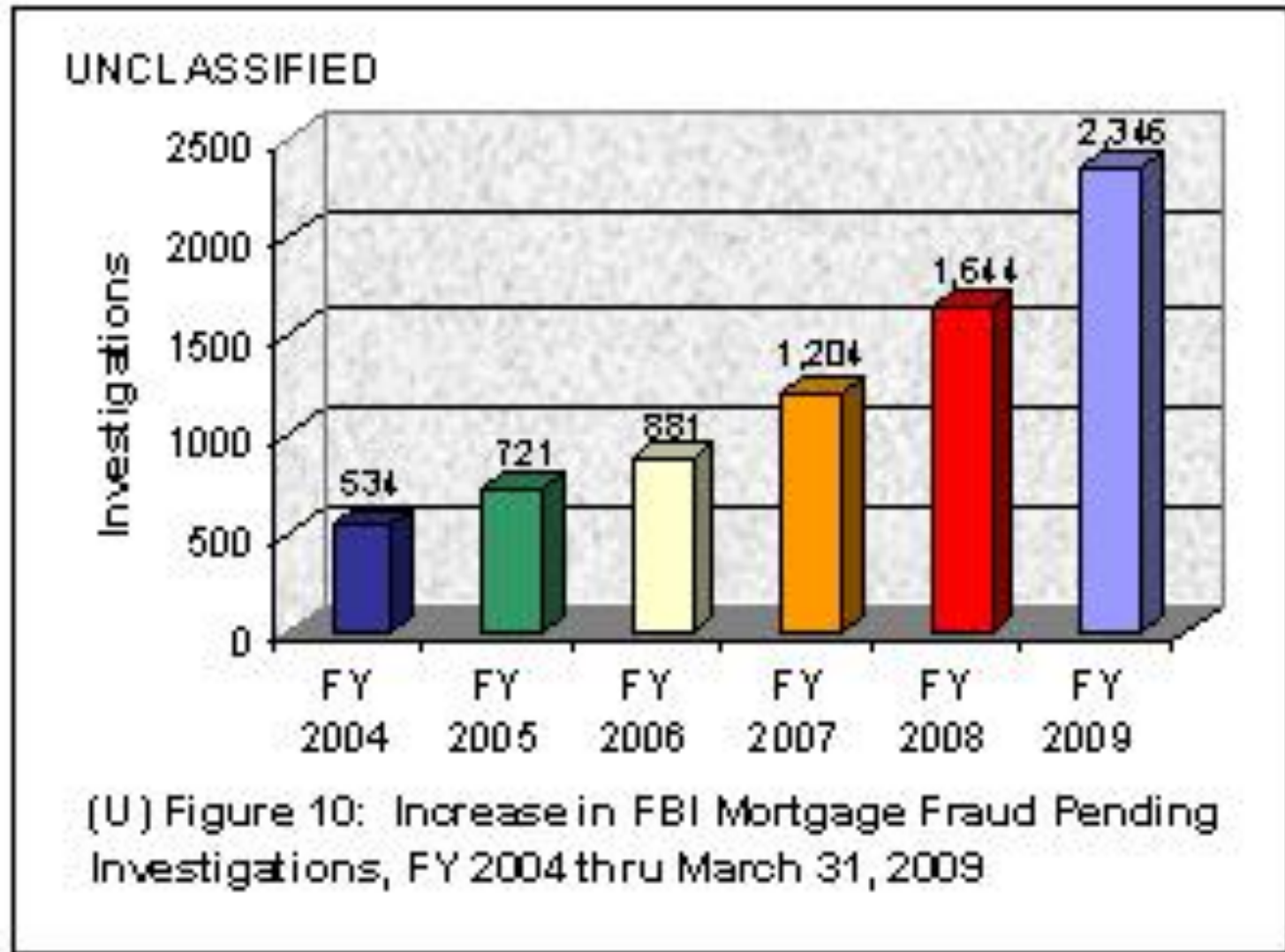




# Top Ten States by Source

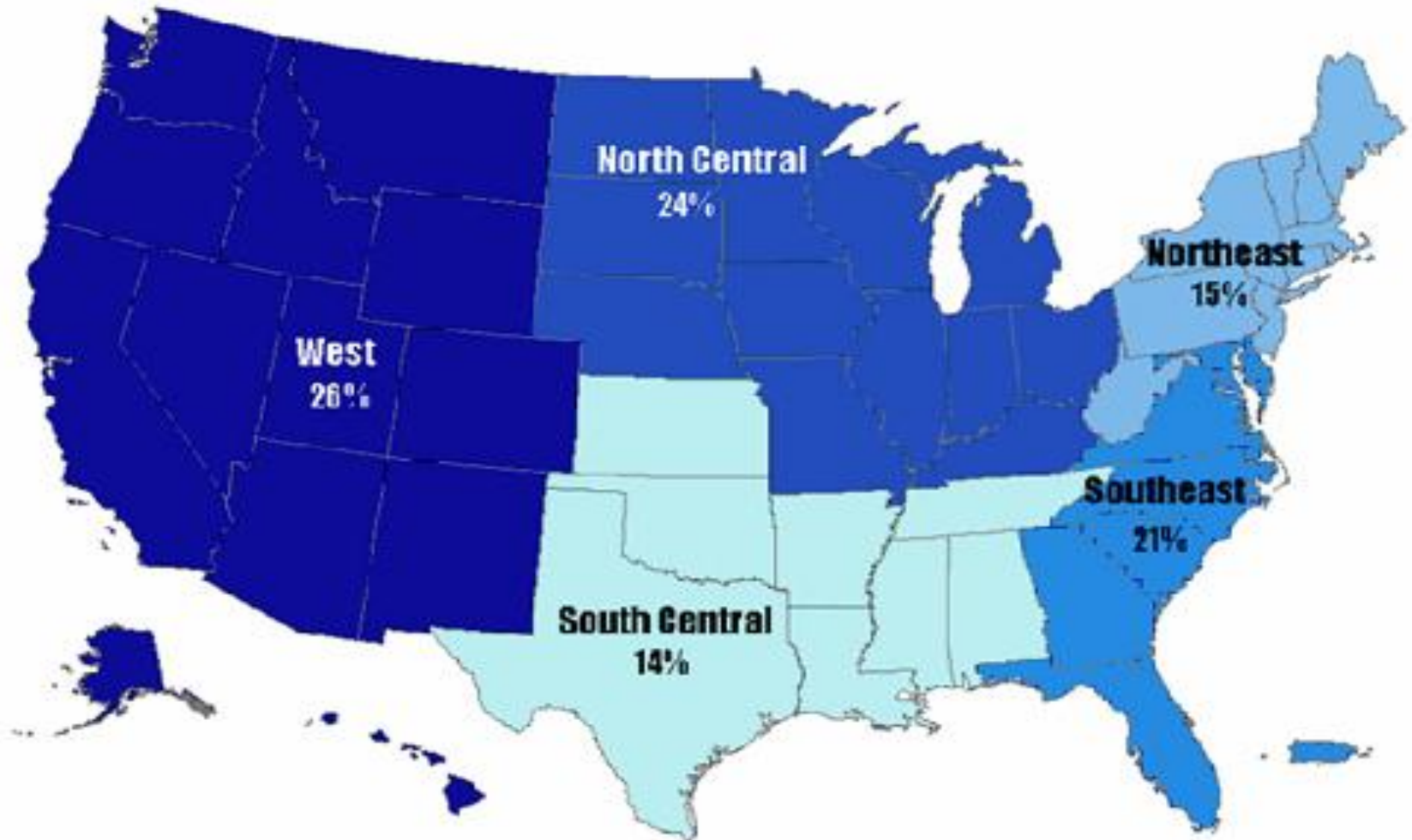


# Increase in FBI Mortgage Fraud Pending Investigations



# FY 2008 Percent of FBI Pending Mortgage Fraud Investigations by Region

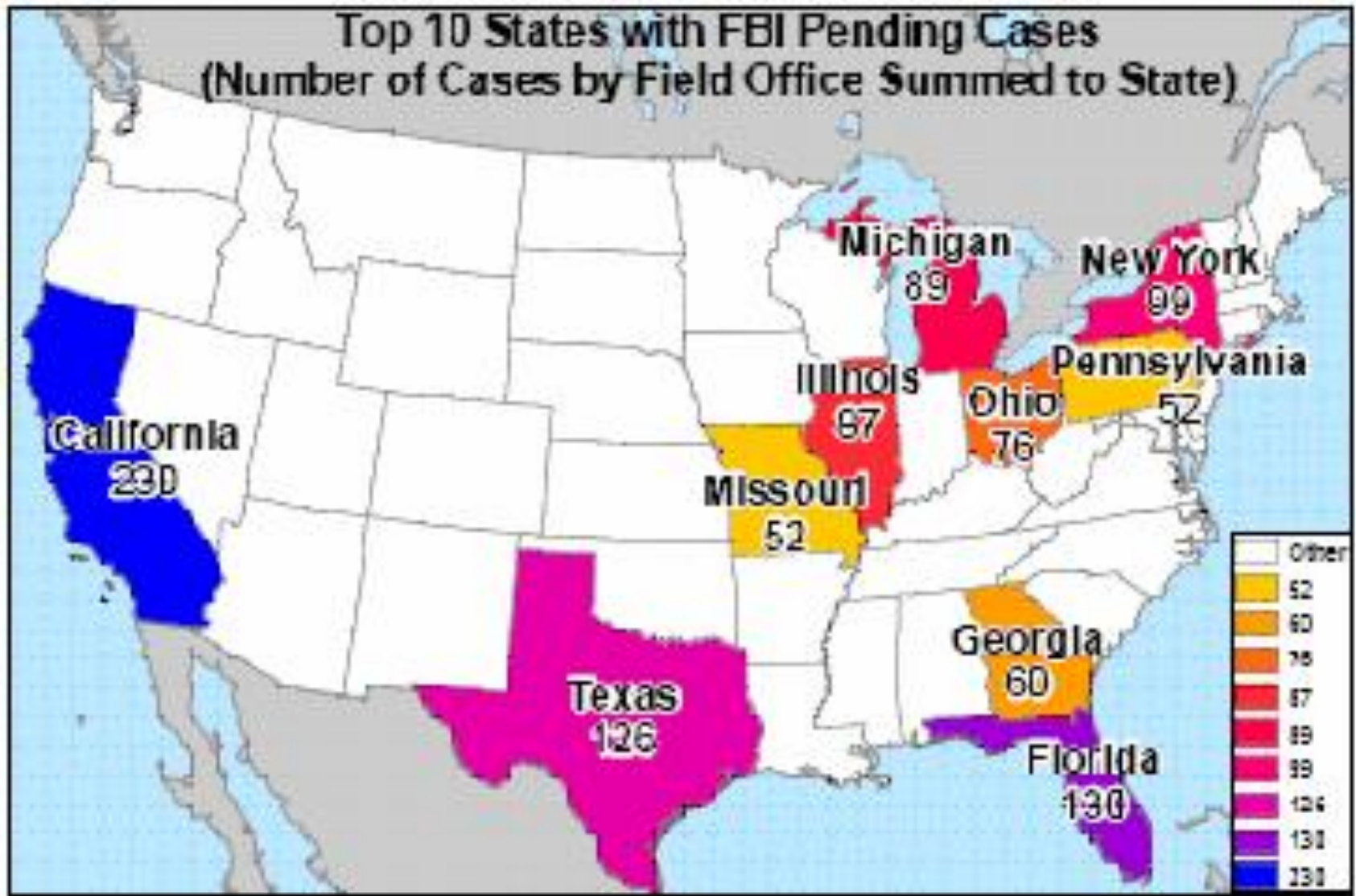
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(U) Figure 11: FY2008 Percent of FBI Pending Mortgage Fraud Investigations by Region



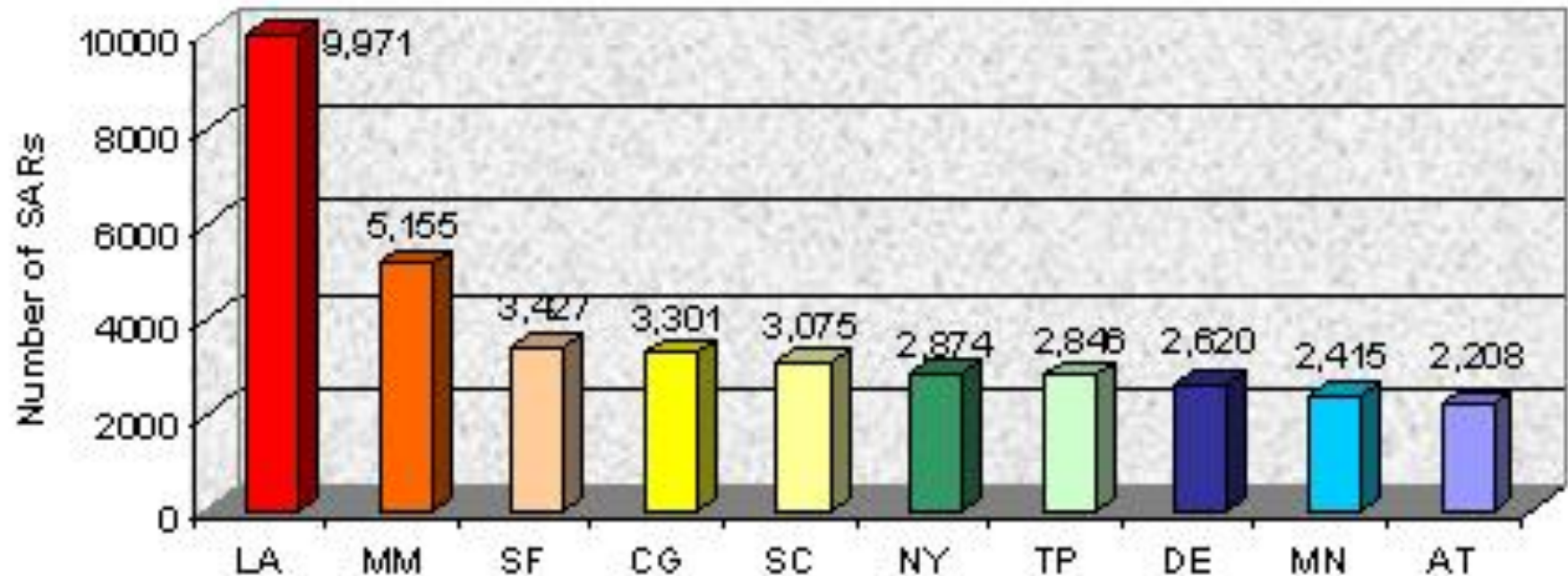
## Top 10 States With FBI Pending Cases





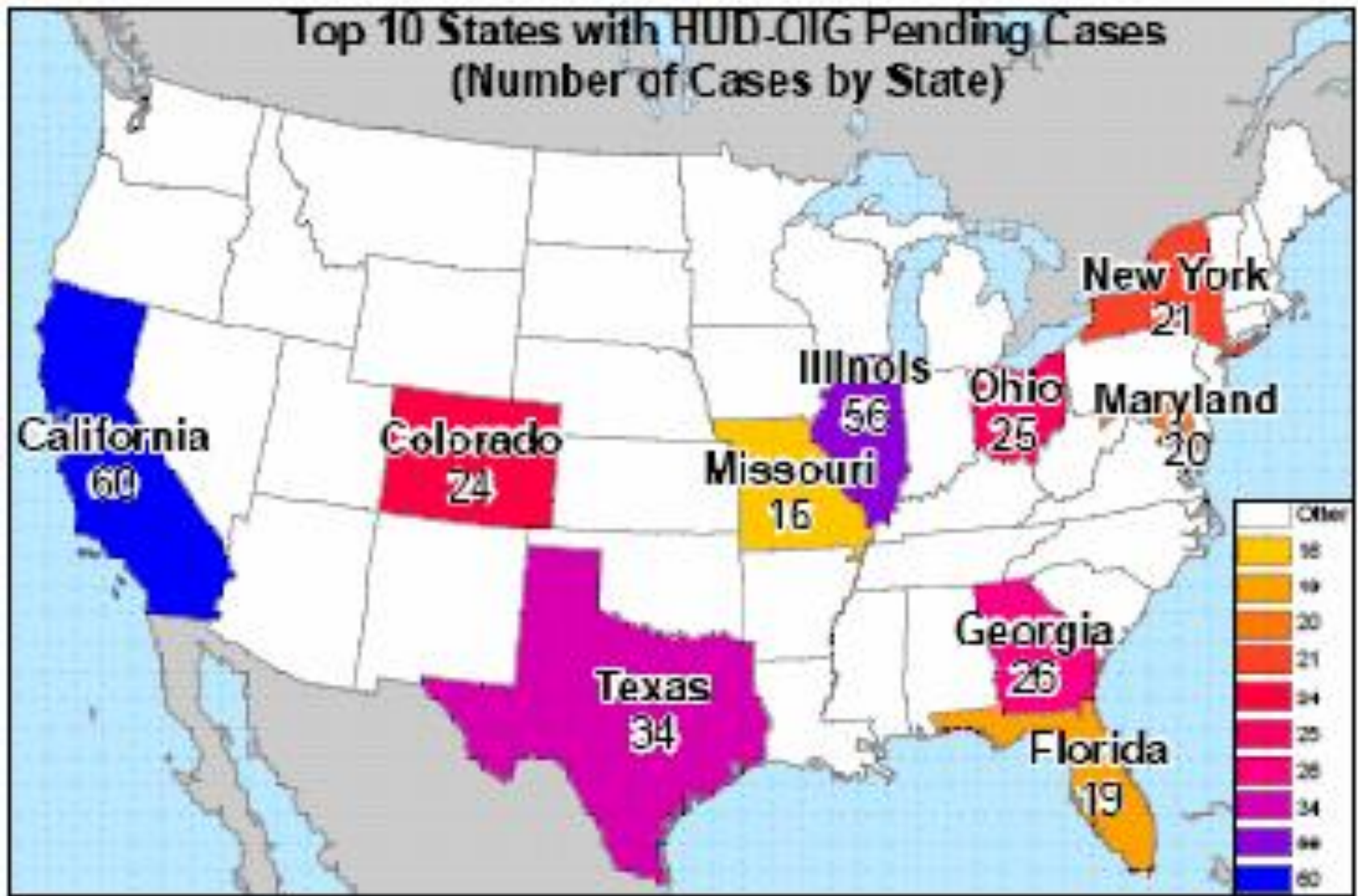
# Top Ten FBI Field Offices Impacted by Mortgage Fraud based on SARs

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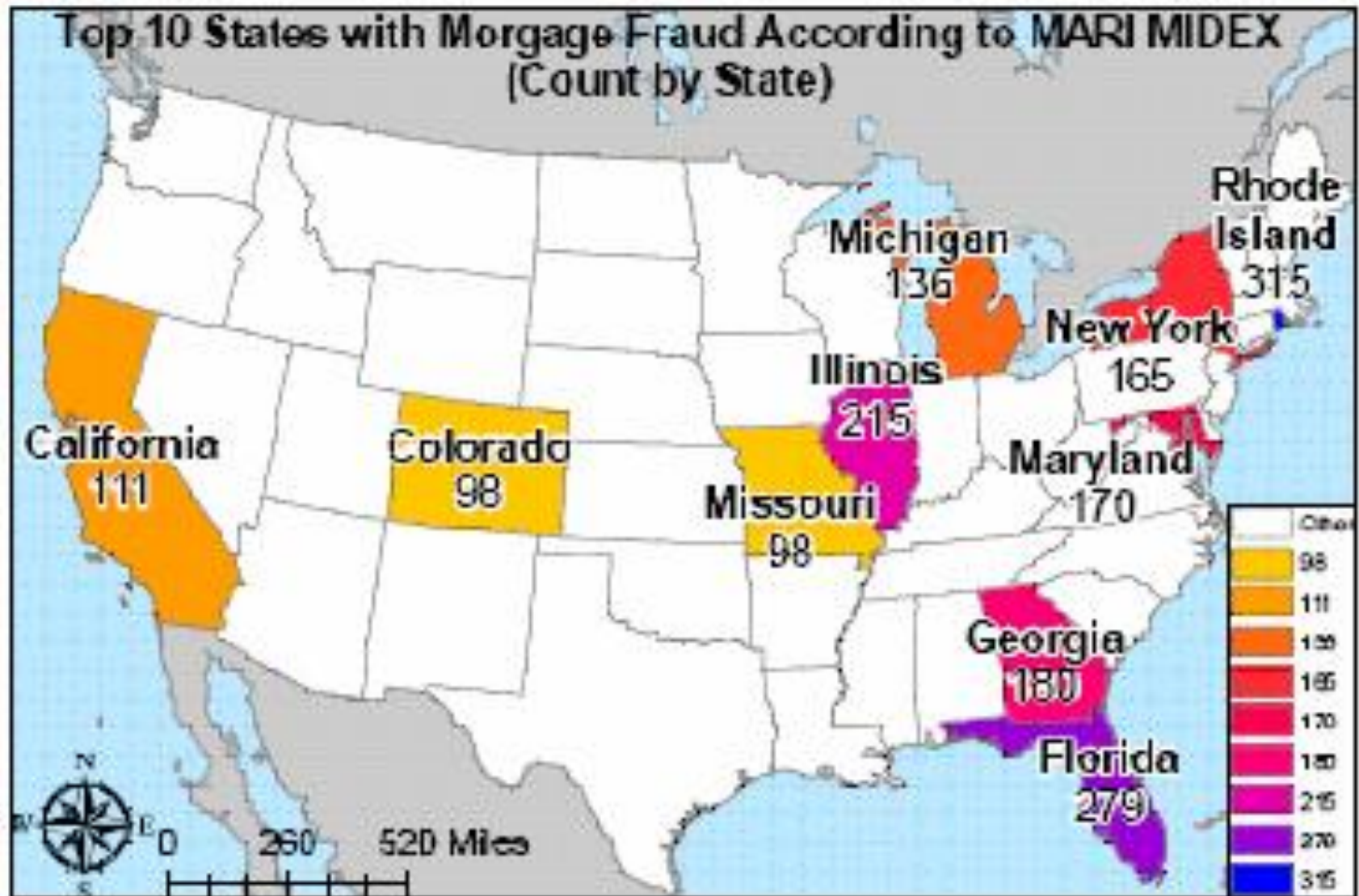


(U) Figure 13: Top Ten FBI Field Divisions for FY 2008 Mortgage Fraud SARs

# Top Ten States with HUD OIG Pending Cases

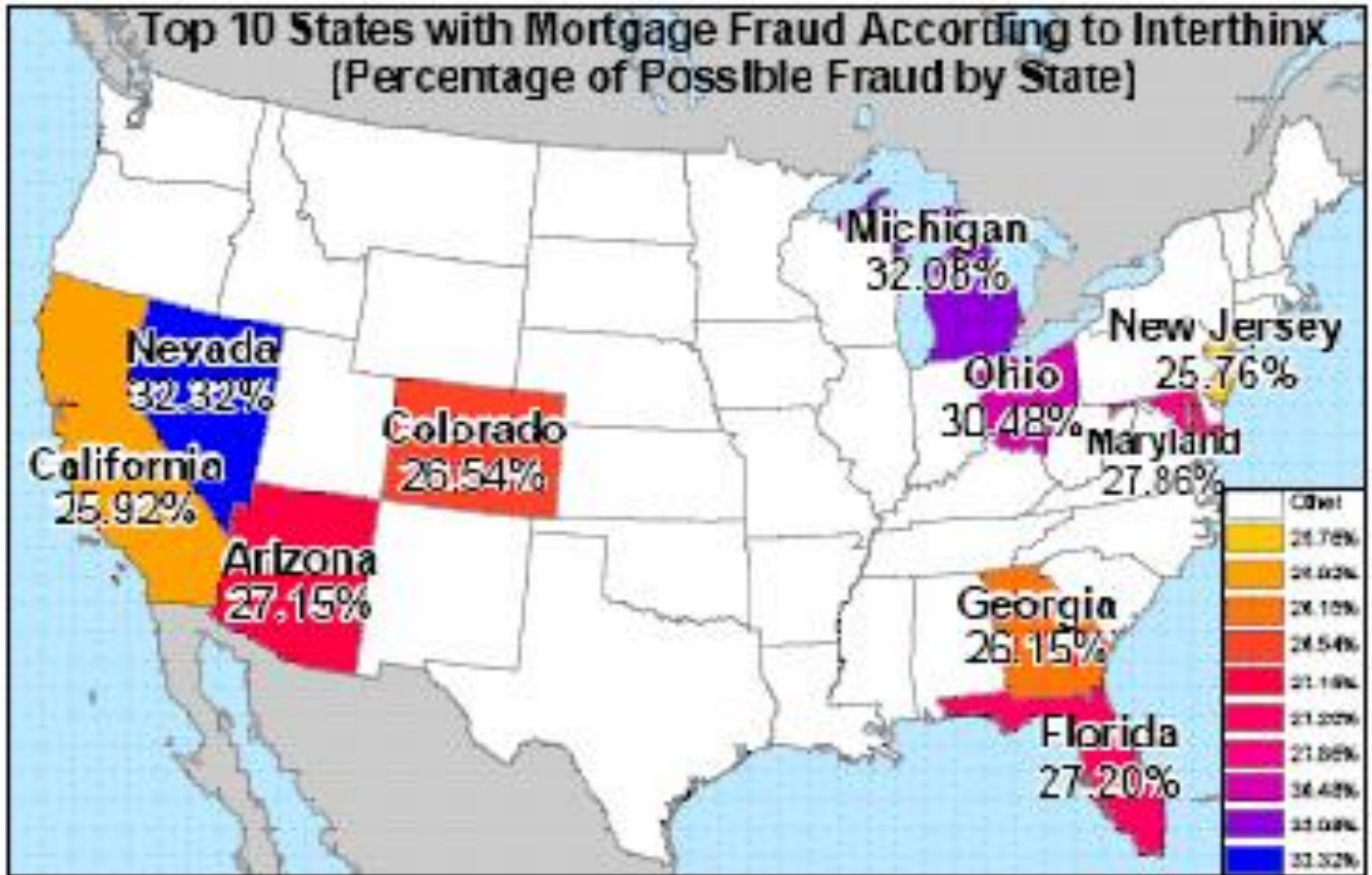


# Top Ten States with Mortgage Fraud According to MARI

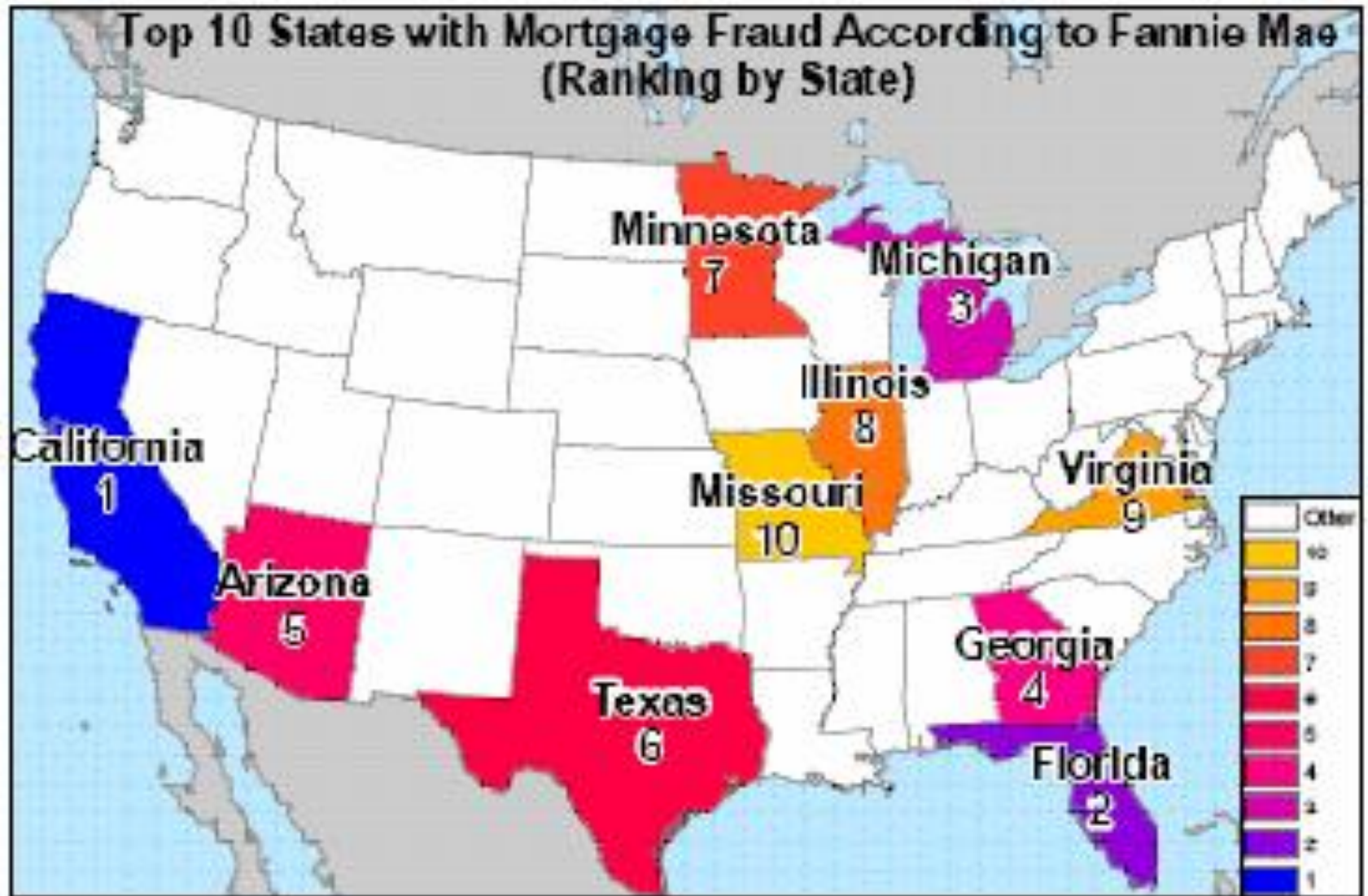




# Top Ten States with Mortgage Fraud According to Interthinx

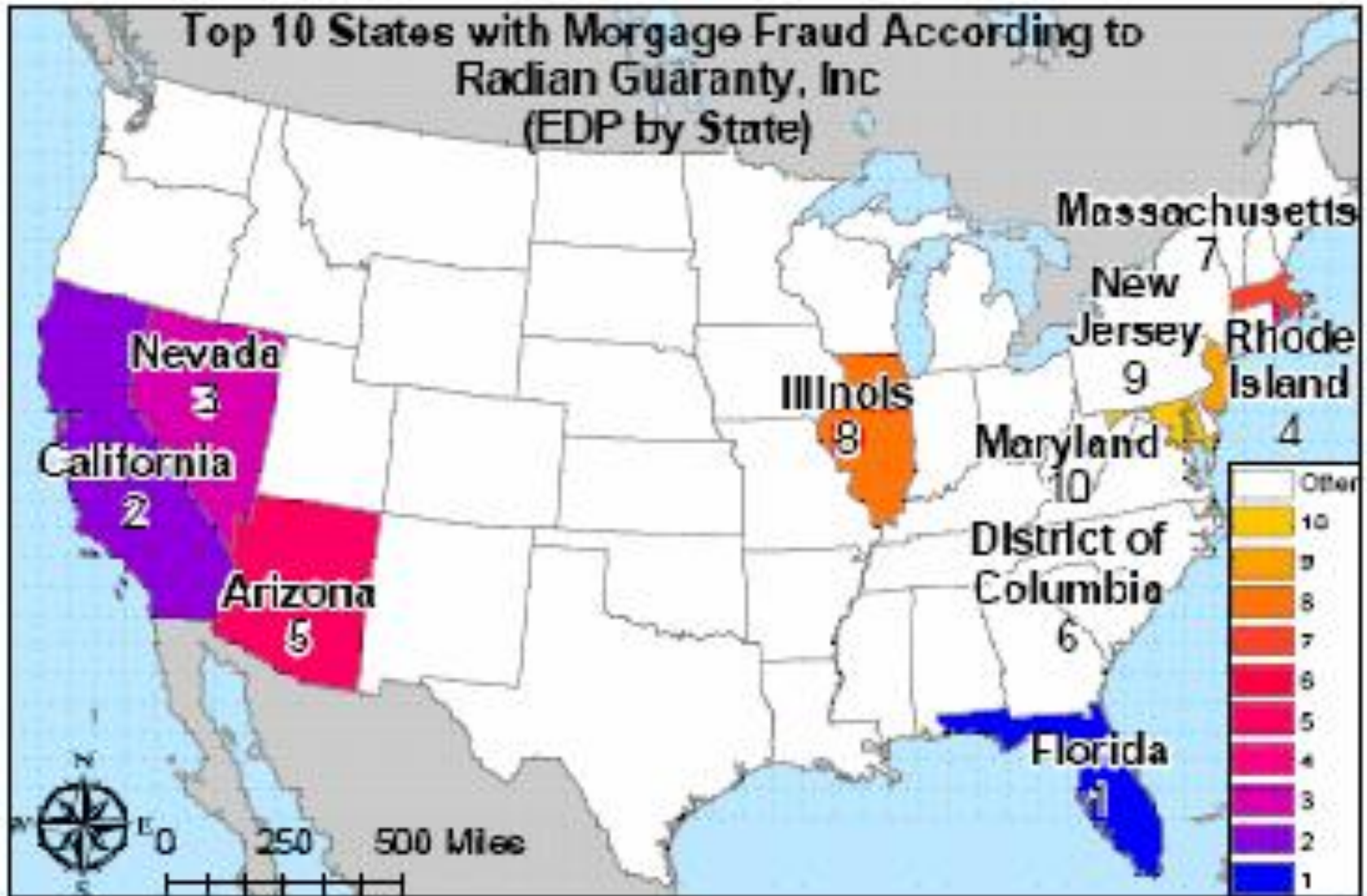


# Top Ten States with Mortgage Fraud According to Fannie Mae

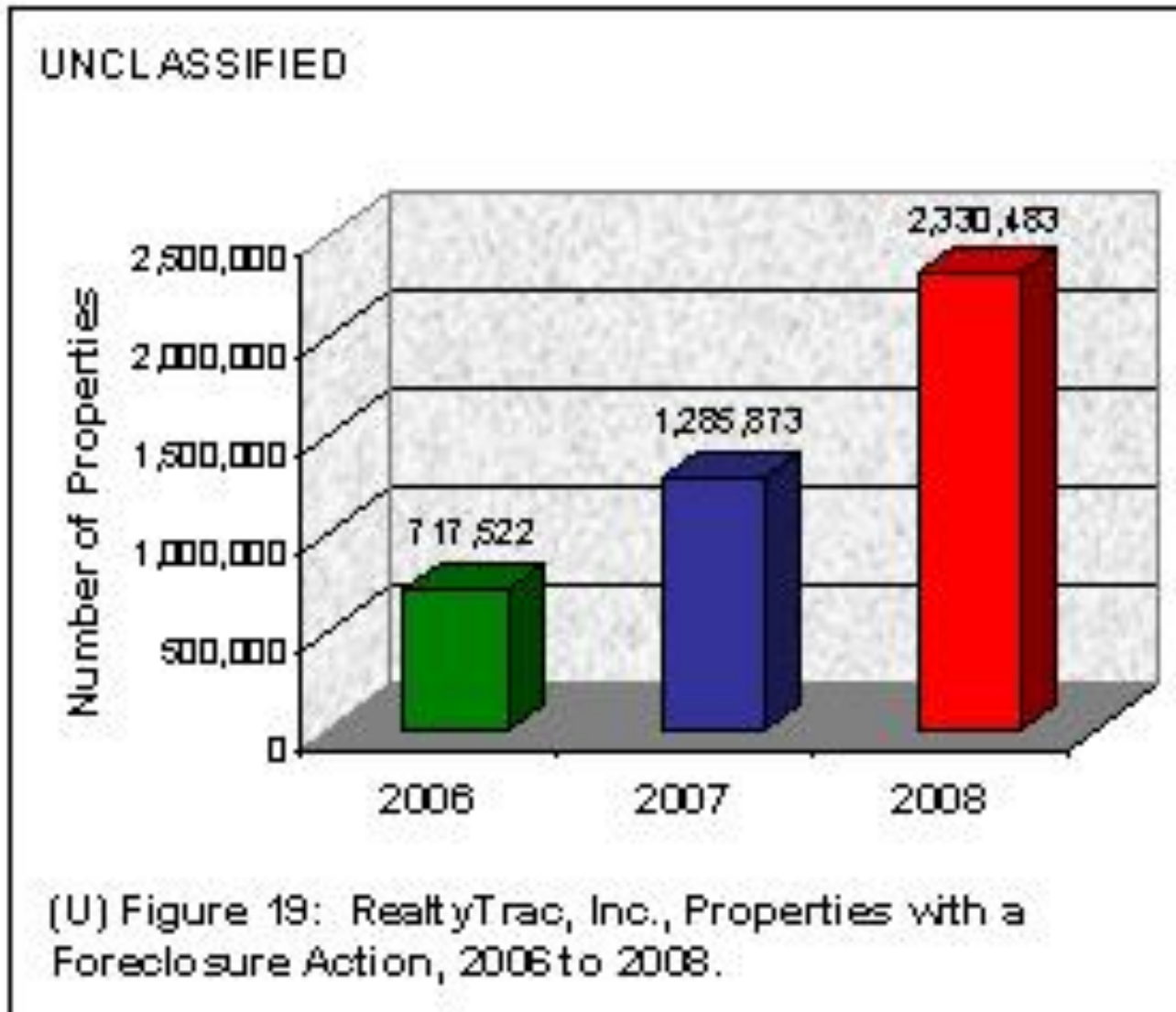




# Top Ten States with Mortgage Fraud According to Radian

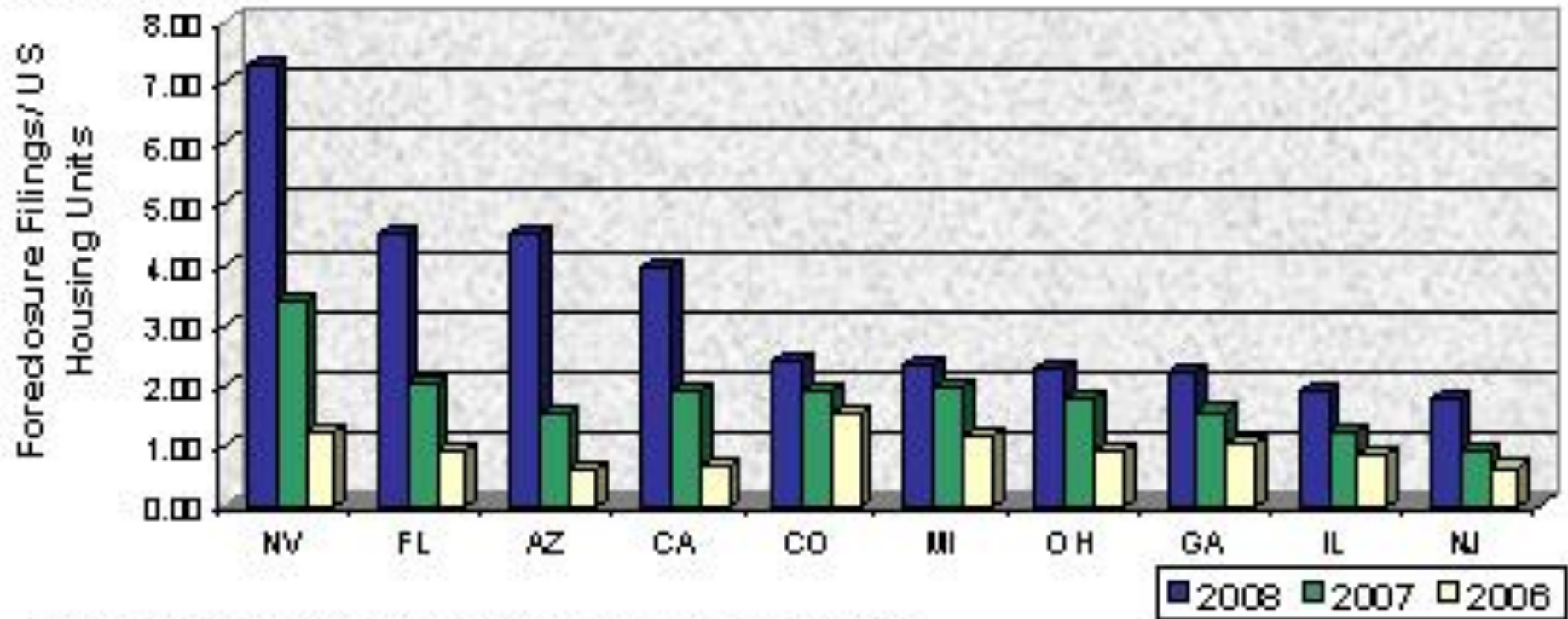


# RealtyTrac Properties in Foreclosure



# RealtyTrac Rate of Foreclosures

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(U) Figure 20: Rate of Foreclosure Filings per US Households, 2006 through 2008 - RealtyTrac



# Top 10 US Metropolitan Foreclosure Markets by Percent Change, 2007-2008

Rank	State	Metro Name	Total Properties with Filings	%Housing Units (foreclosure rate)	%Change from 2007
1	South Carolina	Greenville	3,100	1.17	1,355*
2	Texas	McAllen/Edinburg/Pharr	1,982	0.83	550*
3	Virginia	Richmond	5,159	1.03	468*
4	New York	Poughkeepsie/Newburgh/ Middletown	2,826	1.16	331*
5	South Carolina	Charleston	3,501	1.28	317*
6	Rhode Island	Providence/New Bedford	6,583	1.46	258*
7	Arizona	Phoenix/Mesa	97,684	6.02	221*
8	Hawaii	Honolulu	1,647	0.5	219*
9	Virginia/North Carolina	Norfolk/Virginia Beach/ Newport News	5,662	0.95	208*
10	Florida	Orlando	46,843	5.48	196*

\* Actual increase may not be as high due to data collection changes or improvement - RealtyTrac.

# What are the costs? Who pays?

- The true costs are unknown.
- We all pay.
- Mortgage costs are increased.
- Higher taxes, property and others.

# What can we do about it?

- Identify
- Investigate
- Report  
(800-553-7723)
- Prosecute
- Educate

# Contact Information for South Carolina Department of Consumer Affairs

- Mortgage Fraud Hotline: 800-553-7723
- General Information: 800-922-1594
- Investigator Ken Middlebrooks
- Charles M. Knight, Staff Attorney:  
803-734-4187